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*Internally
D. Grubaugh
12/15/2007
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From: Pam Grubaugh-Littig
To: coal1; interagencycall
Date: 12/7/2007 1:48 PM
Subject: SITLA Cottonwood Lease Offering
Attachments: JWA Cottonwood Lease Offering Notice.pdf; JWA Bidding Procedures.pdf

SITLA has scheduled a public meeting on the Cottonwood Coal Lease sale:

Emery County Courthouse,
75 East Main, Castle Dale
Tuesday, December 18, 2007
10:00 a.m.

fyi.

Bidding Procedures – Cottonwood Competitive Coal Leasing Unit

Bid Amount

Each bidder should contain the total amount of initial bonus bid, expressed in dollars, offered for lease of the Cottonwood Competitive Leasing Unit. The bid should not be itemized or broken out by parcel.

Sealed Bids Required

All bids for the Cottonwood Competitive Leasing Unit must be submitted in a sealed envelope, marked “Simultaneous Filing – Cottonwood Competitive Leasing Unit” by the bid deadline set forth above.

Bidder Qualifications

All bidders must be qualified to do business in the State of Utah, and not in default under the laws of the State of Utah relative to qualification to do business within the state, and further not in default on any previous obligation with the Trust Lands Administration. Only one bid may be submitted by each qualified bidder. Persons or companies may jointly submit a bid in all of their names, but a bidder may not submit a bid in collusion with other persons or parties for the purpose of restricting competition or defrauding the Trust Lands Administration.

Minimum Acceptable Bid to Be Determined By Trust Lands Administration

The Trust Lands Administration will determine a minimum acceptable bonus bid for the Cottonwood Competitive Leasing Unit, expressed in Dollars, in advance of the bid opening. The minimum acceptable bonus bid will not be disclosed. Any bid not meeting the minimum acceptable bonus bid amount may be rejected by the Trust Lands Administration.

Bid Contents

Each bid must be signed by the bidder or a person authorized to act for the bidder. Each bid must contain the contents set forth below. Incomplete bids will be rejected by the Trust Lands Administration. Funds submitted by unsuccessful bidders, except for the \$30.00 application fee, will be promptly returned by the Trust Lands Administration.

Each bid envelope must include the following:

- a. A Statement of the initial total bonus bid, expressed in Dollars, that the bidder is willing to pay as consideration to lease the Cottonwood Competitive Leasing Unit for coal.
- b. A certified check, company check, or money order in the amount of one-fifth of the bonus bid amount, made payable to the Trust Lands Administration.

- c. A certified check, company check, or money order in the amount of \$26,412.00, or \$3.00 per acre, and fraction of acre, for the first year lease rentals.
- d. A certified check, company check, or money order in the amount of \$30.00 for the application fee.
- e. A U.S. Bureau of Land Management form 1140-6 (available on request from the Trust Lands Administration), signed by the bidder, certifying that the bid was arrived at by the bidder independently and was rendered without collusion with any other person.

Installment Bonus Payment Allowed

Not less than one fifth of the total initial bonus is payable on the day of sale, and must be submitted in the bidder's bid envelope. The remaining balance is required to be paid in equal installments on the first four anniversary dates of the lease. At the time of lease issuance, the lessee will be required to provide a bid bond, meeting the requirements of 43 Code of Federal Regulations §3474, for the balance of the bonus bid amount, payable upon default to the State of Utah and the Secretary of the Interior. If the lease is relinquished or otherwise terminated, the unpaid remainder shall be immediately payable to the Lessor; and the bid bond will be subject to forfeiture.

Bid Opening

Immediately upon bid opening, the Trust Lands Administration shall determine and announce the apparent high bidder. In the event that the high bid meets the minimum acceptable bid, as determined by the Trust Lands Administration, the lease shall be awarded to the high bidder. In the event that two or more parties submit an identical qualifying bid, such high bidder shall be determined by a public drawing to be held at the offices of the Trust Lands Administration on the date of bid opening.

Failure to Meet Minimum Bid

In the event that the high bid does not match or exceed the minimum acceptable bid as determined by the Trust Lands Administration, the Trust Lands Administration may, but is not obligated to, negotiate with the high bidder to obtain a negotiated bid that in the discretion of the Trust Lands Administration represents fair market value. Alternatively, the Trust Lands Administration may in its discretion re-offer the Cottonwood Competitive Leasing Unit for simultaneous filing, hold an oral auction of the unit pursuant to Utah Code Ann. §53C-2-407(4), or withdraw the unit from leasing. In the event that two or more parties submit an identical high bid failing to meet or exceed the minimum acceptable bid determined by the Trust Lands Administration, and if the Trust Lands Administration elects to negotiate with the high bidder, such high bidder shall be determined by a public drawing to be held at the offices of the Trust Lands Administration on the date of bid opening.

NOTICE OF COAL LEASE OFFERING BY SIMULTANEOUS FILING

COTTONWOOD COMPETITIVE LEASING UNIT EMERY COUNTY, UTAH

PLEASE TAKE NOTICE that the State of Utah, School and Institutional Trust Lands Administration, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 (the "Trust Lands Administration"), will offer the Cottonwood Competitive Leasing Unit, as more specifically described below, for coal lease by simultaneous filing of sealed bids pursuant to Utah Code Ann. § 53C-2-407(1)-(3).

Introduction

The Trust Lands Administration acquired the Cottonwood coal exchange tract (9,403.87 acres) in Emery County, Utah, pursuant to the Utah Schools and Land Exchange Act of 1998, Pub. L. No. 105-335, 112 Stat. 3139. The Trust Lands Administration additionally administers a 600 acre parcel of state school trust land adjacent to the Cottonwood coal exchange tract.

The current coal lease offering will include a portion of the Cottonwood coal exchange tract (Parcel 1) and the 600 acre school trust land parcel (Parcel 2). The combined parcels are designated as the Cottonwood Competitive Leasing Unit, and are described as follows:

Description of Cottonwood Competitive Leasing Unit

PARCEL 1 (Cottonwood Coal Exchange Tract - Partial)

Township 17 South, Range 6 East, SLB&M

Emery County

Section 2: SW4

Section 3: Lots 1 thru 12, SE4 (All)

8,203.87 acres

Section 4: Lots 1, 2, S2NE4, SE4

Section 9: E2, E2W2

Section 10: Lots 1 thru 8, E2 (All)

Section 11: All

Section 12: W2W2

Section 13: W2W2

Section 14: Lots 1 thru 4, E2, NW4 (All)

Section 15: Lots 1 thru 12, NE4 (All)

Section 16: NE4NW4

Section 20: E2E2

Section 21: All

Section 22: All

Section 23: Lots 1 thru 12, NE4 (All)

Section 24: W2W2

Section 25: N2NW4

Section 26: N2NE4, W2SW4NE4, NW4, N2SW4, W2NW4SE4

Section 27: N2, N2S2
Section 28: N2, N2SW4, SE4
Section 29: NE4

PARCEL 2 (School Trust Land)

Township 17 South, Range 6 East, SLB&M
Section 16: E2, SW4, S2NW4, NW4NW4

Emery County
600.00 acres

TOTAL UNIT ACREAGE: 8,803.87 acres

Parcel 1 of the Cottonwood Competitive Leasing Unit is estimated to contain at least 41,660,000 tons of recoverable coal. Parcel 2 is estimated to contain at least 6,875,000 tons of recoverable coal. The combined Cottonwood Coal Leasing Unit is estimated to contain at least 48,535,000 tons of recoverable coal.

Simultaneous Leasing Process

The Trust Lands Administration will offer the Cottonwood Competitive Leasing Unit for competitive leasing by simultaneous filing pursuant to Utah Code Ann. § 53C-2-407(1)-(3). The leasing process will also be governed by agency regulations set forth in Utah Administrative Code R850-26 and the bidding procedures described below. The Trust Lands Administration will determine the minimum acceptable bonus bid for the entire Cottonwood Competitive Leasing Unit, expressed in dollars, in advance of bid opening. The minimum acceptable bonus bid will not be disclosed. **No bid will be accepted that does not meet the minimum acceptable bonus bid.** In addition to the required initial bonus bid, the lease issued for Parcel 1 will require payment of a deferred bonus bid, as described below, in the event that ultimate coal recoveries from Parcel 1 exceed 41,660,000 tons of coal.

Last Date for Receipt of Bids/Bid Opening

All sealed bids for the Cottonwood Competitive Leasing Unit must be received and time-stamped in the Salt Lake City office of the School and Institutional Trust Lands Administration, 675 East 500 South, Salt Lake City, Utah 84102, no later than 5:00 p.m. on Friday, December 28, 2007. Bids will be opened at 10:00 a.m. MST on Monday, December 31, 2007 at the offices of the Trust Lands Administration.

Bidding Procedures; Lease Forms and Stipulations

Copies of bidding procedures and requirements for the lease offering are posted in the offices of the Trust Lands Administration at the above address, and are further available upon request. Strict compliance with the bidding procedures and requirements will be required. The Trust Lands Administration will lease the Cottonwood Competitive Leasing Unit using lease forms developed by the agency, copies of which are available for inspection upon request. The Trust Lands Administration reserves the right to apply appropriate lease stipulations for protection of surface resources.

The Trust Lands Administration expressly disclaims all warranties or representations with respect to the Cottonwood Competitive Leasing Unit, including without limitation warranties or representations

concerning title, quantity or quality of coal resources, mineability or merchantability of leased substances, accuracy of any geotechnical information, surface or subsurface conditions, availability of permitting, or environmental conditions.

Deferred Bonus Requirement

The lease for Parcel 1 will contain a requirement that the Lessee pay a deferred bonus bid for certain future coal production from Parcel 1. The deferred bonus bid will be payable on all coal extracted from Parcel 1 in excess of 41,660,000 tons. The deferred bonus bid will be payable on a cents per ton basis at the time of production. The per ton deferred bonus will be calculated as a fraction, the numerator of which is the total initial bonus bid offered by the lessee and accepted by Lessor, expressed in dollars, and the denominator of which is 48,535,000. The per ton deferred bonus will be adjusted annually for inflation using the West Urban Energy Consumer Price Index or other appropriate index from the date of leasing until the date of payment.

Further Information

For questions or to obtain further information regarding the Cottonwood Competitive leasing Unit please contact the Minerals Group at the School and Institutional Trust Lands Administration at (801) 538-5152.

DATED this ____ day of _____, 2007

School and Institutional Trust Lands Administration

Thomas B. Faddies, Assistant Director